

CITY OF RICHARDSON CORPLAN CHANGES EFFECTIVE OCTOBER 1, 2003

“WRESTLING WITH RUNAWAY HEALTH COSTS”

Most likely you have read headlines like the one above, about rising healthcare costs (from Dallas Morning News, July 6, 2003). And you have probably seen similar stories about how companies are increasing co-payments and premiums for employees in attempts to deal with rising medical costs. You don't have to look far to find such news stories.

Unfortunately, these situations also apply to the City of Richardson. Similar to many other public and private employer health plans, CORPlan is having to increase co-payments, and deductibles, and some retiree premiums in order to remain solvent, due to increasing costs for medical and prescription services. CORPlan still provides very good basic health care benefits for our employees and retirees. But changes are necessary for next year. With changes outlined on page two, CORPlan will break even for FY03-04.

SOME BACKGROUND:

Did you know?

- CORPlan cost the City about \$7.4 million for FY 01-02, or about \$6,700 for every employee and retiree participating in CORPlan.
- \$1.1 million of that was for prescription drugs, an average of a little over \$1000 for each employee and retiree in CORPlan.
- We expect costs to be about the same by the end of FY 02-03, and even higher for FY 03-04.

Did you know?

- An average visit to a CORPlan doctor's office results in costs of about \$120 (and that's ONLY for the office visit, not including lab costs, etc.) and more for specialists – the total cost is closer to \$200 or more per visit.
- Many prescription drugs cost \$100 or more each time the prescription is filled – even several hundred dollars or more for some high tech drugs.

These costs may be hard to see for most of us with our current co-payment structure, but they are very real costs and must be paid by CORPlan.

We were able to hold the line on some cost increases due to vendor changes made as of October 1, 2002. **But**, in order to keep CORPlan from ending FY01-02 with a deficit, **the City contributed almost \$1 million in additional funds last September**. Due to some large claims over the past year, we expect CORPlan to end up with a \$273,000 deficit again for FY 02-03. (Without the vendor and premium changes made last year, that deficit would have been even higher.) **The City will cover that \$273,000 deficit again this September**, in addition to what it pays monthly for active employees and covered retirees, just as the City covered the deficit last year. **The City will also be adding \$327,000 to ensure CORPlan starts FY 03-04 with adequate reserves.**

NO RELIEF IN SIGHT

Unfortunately, there is no relief in sight. Projected costs for FY 03-04 are estimated to increase again by about 10 percent, mainly due to continually increasing costs for medical care and prescription drugs. The City cannot afford to pick up any more CORPlan costs than it already does in monthly payments and by covering year-end deficits.

CHANGES FOR FY 03-04

That leads to the inevitable conclusion that CORPlan for FY 03-04 must be balanced through plan design changes and some premium increases. However, there will be **no premium increases for active**

employees and their dependents, or for retirees over age 65 with no dependents. And premium increases for other retirees have been held to a minimum.

See details of changes on the following page.

**PLAN DESIGN CHANGES EFFECTIVE 10-1-03
(UNLESS OTHERWISE NOTED)**

1. Increase prescription drug co-payments:
 - Prescription co-pays (retail) are currently \$10/generics; \$25/brands with no generics available; and \$40/brands with generics available. **Increase co-pays to \$15/\$30/\$50 respectively.** (Mail order prescriptions are still for 90-day supplies of maintenance drugs at the cost of 2 months' co-pay.)
2. Increase network office visit co-payments, and implement change in office visit payment structure as of 1-1-04 (change in structure will be based on calendar year; **co-pays will increase as of 10-1-03**):
 - Current network office co-pay is \$25/visit. Effective 10-1-03, increase co-pay to \$30/visit for network primary care physicians ("primary care physicians" includes family practitioners, internists, pediatricians, and OB/Gyns) **and to \$50/visit for network specialists.**
 - **Effective 1-1-04, implement the following change: the first four (4) network office visits per covered person will be covered under the above mentioned co-pays; after 4 visits per covered person per year, each individual will have to meet the annual deductible before subsequent network office visits are paid at 80% (individual pays 20%).**
 - The first four (4) office visits may include those for illness/injury and those associated with childhood immunizations, annual PAP smears, and annual PSA tests. (The charges for the immunizations, PAP smears, and PSA tests themselves are still covered at 100%, but the associated office visits are no longer covered at 100%.)

On a covered person's fifth office visit (and subsequent office visits) in a year, he/she will pay for the full cost of those visits, until the annual deductible has been met. After the deductible has been met, he/she will pay 20% of the total cost for office visits until a new calendar year begins.
3. Increase annual deductibles:
 - Current deductibles are \$250/Network and \$500/Non-Network. **Increase deductibles to \$350/Network and \$700/Non-Network.**
4. Increase annual out-of-pocket maximums:
 - Current per person out-of-pocket maximums are \$2,500/Network and \$5,000/Non-Network (Family deductibles are twice those amounts); out-of-pocket maximums include deductibles. **Increase to \$5,000/Network and \$10,000/Non-Network**, maintaining the "twice maximum" for families.
5. Eliminate the carry-over feature for deductibles and out-of-pocket maximums during the last calendar year quarter. (CORPlan was the only plan in the Big 10 cities survey with that feature.)
6. Maintain Active "employee only" premiums at \$50/month – no increases.
7. Maintain Active employee dependent premiums "as is" – no increases.
8. Increase premiums for some retirees – see Attachments for schedule of increases (minimal increase for Retiree Only under 65; none for Retiree Only over age 65)

OPEN ENROLLMENT PERIOD

CORPlan's annual open enrollment period for active employees and their dependents will begin on August 29, 2003, and continue through September 30, 2003. Employees who wish to make changes to their current CORPlan enrollments must submit the appropriate forms to Human Resources by 5 p.m. on September 30, and those changes will be effective October 1, 2003.

Attachments – Retiree Rate Increase Charts, Effective 10-1-03